

QUARTERLY STATEMENT
OF THE
Preferred Health Partnership of Tennessee, Inc.

of
Knoxville
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
September 30, 2005

2005



QUARTERLY STATEMENT
AS OF September 30, 2005
OF THE CONDITION AND AFFAIRS OF THE
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)470-7470 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
Lance K. Hunsinger	President
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed
Michael McKay Dudley
Randolph Murphree Lowry MD
Cletus Joseph McMahon Jr. MD
David A. Nowiski
Anthony L. Spezia
Sandra L. Mathy

Thomas Rowe Bell
Daniel J. David MD
Marvin H. Eichorn
Kenneth Frederick Luckman MD
Michael Earl Mitchell MD
Francis H. Olmstead Jr.
Dean M. Turner MD

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Jeffery S. Collake	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
President	Chief Financial Officer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me this
day of , 2005

- a. Is this an original filing?
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[X] No[]

(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds	54,937,544		54,937,544	58,499,929
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances)				
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....460,233), cash equivalents (\$.....) and short-term investments \$.....2,437,770)	2,898,003		2,898,003	40,995
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	57,835,547		57,835,547	58,540,924
11.	Title plants less \$..... charged off (for Title insurers only)				
12.	Investment income due and accrued	653,164		653,164	898,391
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....)				
20.	Net adjustments in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	63,957	36,464	27,493	2,511,535
22.	Health care (\$.....) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	40,736		40,736	54,656
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	58,593,404	36,464	58,556,940	62,005,506
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	TOTAL (Lines 24 and 25)	58,593,404	36,464	58,556,940	62,005,506
DETAILS OF WRITE-INS					
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	A/R Risk Share				
2302.	A/R State Admin	40,736		40,736	54,656
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	40,736		40,736	54,656

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)				1,000,000
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	30,000		30,000	30,000
4.	Aggregate health policy reserves	10,826,641		10,826,641	10,826,641
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	5,261,481		5,261,481	9,805,245
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates	232,009		232,009	
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured accident and health plans				
21.	Aggregate write-ins for other liabilities (including \$..... current)	14,082,990		14,082,990	14,082,990
22.	Total liabilities (Lines 1 to 21)	30,433,121		30,433,121	35,744,876
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	1,000	1,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(33,257,030)	(35,120,218)
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	28,123,818	26,260,630
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	58,556,939	62,005,506
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs	14,082,990		14,082,990	14,082,990
2102.	Grier Decree Accrual				
2103.	Reserve for Transplants				
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	14,082,990		14,082,990	14,082,990
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801	.....	X X X	X X X		
2802	.....	X X X	X X X		
2803	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,148,360	1,187,143
2.	Net premium income (including \$..... non-health premium income)	X X X		
3.	Change in unearned premium reserves and reserves for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	655,716	522,396
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	655,716	522,396
Hospital and Medical:				
9.	Hospital/medical benefits			
10.	Other professional services		(998,158)	88,559
11.	Outside referrals			
12.	Emergency room and out-of-area			
13.	Prescription drugs		(107,784)	(19,164)
14.	Aggregate write-ins for other hospital and medical		(333,862)	(454,349)
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(1,439,804)	(384,954)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(1,439,804)	(384,954)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....282,731 cost containment expenses		502,455	
21.	General administrative expenses		1,448,801	
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		511,452	(384,954)
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	144,264	907,350
25.	Net investment income earned		1,677,580	1,672,073
26.	Net realized capital gains (losses) less capital gains tax of \$.....		41,344	148,544
27.	Net investment gains or (losses) (Lines 25 plus 26)		1,718,924	1,820,617
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	1,863,188	2,727,967
31.	Federal and foreign income taxes incurred	X X X		
32.	Net income (loss) (Lines 30 minus 31)	X X X	1,863,188	2,727,967
DETAILS OF WRITE-INS				
0601.	Miscellaneous Income	X X X	655,716	
0602.	State Admin Revenue	X X X		522,396
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	655,716	522,396
0701	.....	X X X		
0702	.....	X X X		
0703	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Recoveries		(333,862)	(454,349)
1402	.....		
1403	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		(333,862)	(454,349)
2901	.....		
2902	.....		
2903	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year	Prior Year	
	To Date	To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year	26,260,630	21,186,562	21,186,563
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34. Net income or (loss) from Line 32	1,863,188	2,727,967	5,074,067
35. Change in valuation basis of aggregate policy and claim reserves			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....			
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax			
39. Change in nonadmitted assets			0
40. Change in unauthorized reinsurance			
41. Change in treasury stock			
42. Change in surplus notes			
43. Cumulative effect of changes in accounting principles			
44. Capital Changes:			
44.1 Paid in			
44.2 Transferred from surplus (Stock Dividend)			
44.3 Transferred to surplus			
45. Surplus adjustments:			
45.1 Paid in			
45.2 Transferred to capital (Stock Dividend)			
45.3 Transferred from capital			
46. Dividends to stockholders			
47. Aggregate write-ins for gains or (losses) in surplus			
48. Net change in capital and surplus (Lines 34 to 47)	1,863,188	2,727,967	5,074,068
49. Capital and surplus end of reporting period (Line 33 plus 48)	28,123,818	23,914,529	26,260,631
DETAILS OF WRITE-INS			
4701. Miscellaneous			
4702			
4703			
4798. Summary of remaining write-ins for Line 47 from overflow page			
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)			

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
REVENUES:			
1. TennCare Capitation	0	0	0
2. Investment	565,995	1,718,923	2,385,671
3. Other Revenue	0	655,716	0
State Admin Revenue	0		4,031,669
4. TOTAL REVENUES (Lines 1 to 3)	565,995	2,374,639	6,417,340
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	0	0	0
7. Inpatient Hospital Services	(3,092)	(998,158)	(581,562)
8. Outpatient Services	0	0	0
9. Emergency Room Services	0	0	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	(107,784)	(107,784)	(34,858)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	0	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	0	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	0	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	246,648
24. Subtotal (Lines 5 to 23)	(110,875)	(1,105,942)	(369,772)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	101,422	333,862	496,848
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	101,422	333,862	496,848
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(212,298)	(1,439,804)	(866,619)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration: 31. Compensation (Including Allocated Costs) 32. Marketing (Including Allocated Costs) 33. Premium Tax Expense 34. Occupancy, Depreciation and Amortization (Including Allocated Costs) 35. Other Administration (Provide detail)	2,474,185 1,948 83,426 142,145	7,523,901 1,948 289,739 514,535	8,899,639 16,074 413,846 847,432
Printing Rent/Utilities Franchise, Excise & Property Taxes Postage Legal Fees Liquidated Damages Outside Services Board & Committee Fees Auditing, actuarial and other consulting services Books & Subscriptions Dues, Fees & Licenses Education & Seminars Meals & Entertainment Office Supplies Minor Equipment Travel Wellness Program Leases & Rentals of equipment Repairs/Maintenance Agreements Telephone/Beepers/Cellular Phones Temp/Contract Personnel Provision for Loss Contracts Risk Banding Reserve Program Run Out Expense State Admin Revenue Miscellaneous Expense Total DIRECT Expenses	11,212 0 0 46,385 14,119 0 115,540 0 0 801 260 0 93 232 0 11 0 0 0 0 6,272 0 0 0 (4,171,329) 410,801 (863,899)	43,922 0 0 173,876 33,663 600,000 363,446 0 0 1,443 920 0 248 609 0 11 0 0 52,851 0 27,540 0 0 0 (14,486,956) 421,923 (4,436,380)	178,877 0 0 300,464 20,953 1,207,740 449,580 0 0 1,929 4,015 2,648 1,363 1,804 0 4,783 0 0 387 140 14,801 0 0 0 0 (16,660,565) (3,032,525) (7,326,616)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities Printing Postage Legal Fees Outside Services Board & Committee Fees Survey Fees Telephone/Beepers/Cellular Phones Books & Subscriptions Minor Equipment Computer Supplies Dues, Fees & Licenses Education & Seminars Meals & Entertainment Office Supplies Travel Miscellaneous Expense Franchise, Excise & Property Taxes & Sales/Use Tax Insurance Leases & Rentals of equipment Repairs/Maintenance Agreements Relocation Expense Total Training and Orientation Total Temp/Contract Personnel Covenant Management Fees Total ALLOCATED Expenses	157,221 6,997 46,826 102,859 694,638 33,501 36,785 49,901 8,574 2,859 0 48,671 9,666 9,250 24,629 15,165 50,209 50,970 98,914 15,517 70,682 0 0 98,073 540,038 2,171,942	467,369 66,118 150,062 309,312 1,635,944 97,944 112,689 151,484 45,638 23,378 0 115,715 50,377 20,810 72,193 46,934 150,127 152,910 298,278 80,179 443,195 1,821 0 275,045 1,620,114 6,387,636	537,634 141,274 373,155 745,164 743,642 170,130 54,527 232,273 130,040 99,858 0 229,951 35,637 30,659 96,042 79,554 158,185 139,083 414,930 128,625 524,947 9,937 0 547,674 1,703,691 7,326,615
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,308,043	1,951,255	(0)
FIT & Excise Tax	0	0	2,209,893
37. Total Other Expenses:	0	0	2,209,893
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	1,095,745	511,451	1,343,273
39. NET INCOME (LOSS) (Line 4 less Line 38)	(529,750)	1,863,188	5,074,067

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	365,512	1,148,360	1,585,507
REVENUES:			
1. TennCare Capitation	52,794,238	168,073,702	215,259,968
2. Investment	3,452	10,304	1,859
3. Other Revenue			
IBNR / Capitation Revenue Receivable	905,079	30,355,610	32,463,841
Premium Tax	1,078,717	2,321,049	3,325,980
4. TOTAL REVENUES (Lines 1 to 3)	54,781,486	200,760,665	251,051,647
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	488,486	986,859	1,455,699
6. Fee-For-Service Physician Services	4,533,106	19,022,477	24,758,072
7. Inpatient Hospital Services	31,840,846	117,656,931	144,882,748
8. Outpatient Services	14,292	51,854	61,435
9. Emergency Room Services	2,583,272	9,960,872	12,879,752
10. Mental Health Services	21,862	66,500	62,820
11. Dental Services (Capitated & FFS)	623	3,102	7,730
12. Vision Services (Capitated , FFS & Opthamology)	219,675	673,650	864,314
13. Pharmacy Services (Capitated & FFS)	(2,177)	(6,343)	(14,729)
14. Home Health Services	85,633	284,172	434,412
15. Chiropractic Services	0		0
16. Radiology Services	39,776	146,135	200,976
17. Laboratory Services	7,211,102	26,515,725	33,972,466
18. Durable Medical Equipment Services	1,972,331	7,072,620	7,805,932
19. Transportation Services (Capitated)	1,255,369	3,824,323	5,003,592
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,633,963	5,822,717	6,216,562
Counselors/Therapists	0		0
Otolaryngology - FFS Office	253,092	1,080,587	1,455,865
Anesthesiology - FFS Hosp & Other	894,245	2,772,532	3,424,862
Gastroenterology	13,598	57,539	86,098
Preventive Medicine	927,593	2,592,865	3,335,487
Ped Emergency Medicine - FFS Hospital	0		0
Miscellaneous	44,188	109,432	952,934
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	54,030,874	198,694,549	247,847,029
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	150,057	505,682	533,153
27a Recoveries	178,048	836,474	633,139
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	328,105	1,342,156	1,166,292
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	53,702,769	197,352,394	246,680,737

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	365,512	1,148,360	1,585,507
REVENUES:			
1. TennCare Capitation	52,794,238	168,073,702	215,259,968
2. Investment	569,447	1,729,227	2,387,530
3. Other Revenue	0	655,716	0
State Admin Revenue	0		4,031,669
IBNR / Capitation Revenue Receivable	905,079	30,355,610	32,463,841
Premium Tax	1,078,717	2,321,049	3,325,980
4. TOTAL REVENUES (Lines 1 to 3)	55,347,481	203,135,304	257,468,988
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	488,486	986,859	1,455,699
6. Fee-For-Service Physician Services	4,533,107	19,022,477	24,758,072
7. Inpatient Hospital Services	31,837,754	116,658,773	144,301,186
8. Outpatient Services	14,291	51,854	61,435
9. Emergency Room Services	2,583,273	9,960,872	12,879,752
10. Mental Health Services	21,862	66,500	62,820
11. Dental Services (Capitated & FFS)	623	3,102	7,730
12. Vision Services (Capitated , FFS & Opthamology)	219,675	673,650	864,314
13. Pharmacy Services (Capitated & FFS)	(109,960)	(114,127)	(49,587)
14. Home Health Services	85,632	284,172	434,412
15. Chiropractic Services	0	0	0
16. Radiology Services	39,776	146,135	200,976
17. Laboratory Services	7,211,101	26,515,725	33,972,466
18. Durable Medical Equipment Services	1,972,331	7,072,620	7,805,932
19. Transportation Services (Capitated)	1,255,368	3,824,323	5,003,592
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,633,963	5,822,717	6,216,562
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	253,092	1,080,587	1,455,865
Anesthesiology - FFS Hosp & Other	894,245	2,772,532	3,424,862
Gastroenterology	13,598	57,539	86,098
Preventive Medicine	937,593	2,592,865	3,335,487
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	44,188	109,432	952,934
IBNR	0	0	0
Risk Share	0		246,648
24. Subtotal (Lines 5 to 23)	53,929,998	197,588,607	247,477,255
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	150,057	505,682	533,153
27a Recoveries	279,472	1,170,336	1,129,987
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	429,529	1,676,018	1,663,140
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	53,500,469	195,912,589	245,814,115

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration: 31. Compensation (Including Allocated Costs) 2,474,185 7,523,901 8,899,639 32. Marketing (Including Allocated Costs) 1,948 1,948 16,074 33. Premium Tax Expense 1,162,143 3,698,010 4,784,756 34. Occupancy, Depreciation and Amortization (Including Allocated Costs) 142,145 514,535 847,432 35. Other Administration (Provide detail) 0 Printing 11,212 43,922 178,877 Rent/Utilities 0 0 0 Franchise, Excise & Property Taxes 0 0 0 Postage 46,385 173,876 300,464 Legal Fees 14,119 33,663 20,953 Liquidated Damages 0 600,000 1,207,740 Outside Services 115,540 363,446 449,580 Board & Committee Fees 0 0 0 Auditing, actuarial and other consulting services 0 0 0 Books & Subscriptions 801 1,443 1,929 Dues, Fees & Licenses 260 920 4,015 Education & Seminars 0 0 2,648 Meals & Entertainment 93 248 1,363 Office Supplies 232 609 1,804 Minor Equipment 0 0 0 Travel 11 11 4,783 Wellness Program 0 0 0 Leases & Rentals of equipment 0 0 0 Repairs/Maintenance Agreements 0 52,851 387 Telephone/Beepers/Cellular Phones 0 0 140 Temp/Contract Personnel 6,272 27,540 14,801 Provision for Loss Contracts 0 0 0 Risk Banding Reserve 0 0 0 Program Run Out Expense 0 0 0 State Admin (4,171,329) (14,486,956) (16,660,565) Miscellaneous Expense 410,803 421,923 (3,032,519) Total DIRECT Expenses 214,820 (1,028,110) (2,955,699)			
Other ALLOCATED Expenses (Provide detail) Rent/Utilities 157,220 467,369 537,634 Printing 6,997 66,118 141,274 Postage 46,826 150,062 373,155 Legal Fees 102,859 309,312 745,164 Outside Services 694,638 1,635,944 743,642 Board & Committee Fees 33,501 97,944 170,130 Survey Fees 36,785 112,689 54,527 Telephone/Beepers/Cellular Phones 49,902 151,484 232,273 Books & Subscriptions 8,574 45,638 130,040 Minor Equipment 2,859 23,378 99,858 Computer Supplies 0 0 0 Dues, Fees & Licenses 48,671 115,715 229,951 Education & Seminars 9,666 50,377 35,637 Meals & Entertainment 9,249 20,810 30,659 Office Supplies 24,628 72,193 96,042 Travel 15,164 46,934 79,554 Miscellaneous Expense 50,210 150,128 158,185 Franchise, Excise & Property Taxes & Sales/Use Tax 50,970 152,910 139,083 Insurance 98,913 298,278 414,930 Leases & Rentals of equipment 15,517 80,179 128,625 Repairs/Maintenance Agreements 70,682 443,195 524,947 Relocation Expense Total 0 1,821 9,937 Training and Orientation Total 0 0 0 Temp/Contract Personnel 98,073 275,045 547,674 Covenant Management Fees 540,038 1,620,114 1,703,691 Total ALLOCATED Expenses 2,171,942 6,387,637 7,326,612			
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,386,762	5,359,527	4,370,914
FIT & Excise Tax 0			2,209,893
37. Total Other Expenses:	0	0	2,209,893
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	55,887,231	201,272,116	252,394,922
39. NET INCOME (LOSS) (Line 4 less Line 38)	(539,750)	1,863,188	5,074,067

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance		
2.	Net investment income	2,251,749	2,683,279
3.	Miscellaneous income	655,716	4,031,669
4.	Total (Lines 1 through 3)	2,907,465	6,714,948
5.	Benefit and loss related payments	(439,804)	(445,110)
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	3,765,050	1,723,081
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	3,325,246	1,277,971
11.	Net cash from operations (Line 4 minus Line 10)	(417,781)	5,436,977
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	13,019,929	19,014,257
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments	(3,259)	
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	13,016,670	19,014,257
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	9,741,881	30,169,646
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	9,741,881	30,169,646
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	3,274,789	(11,155,388)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	2,857,008	(5,718,411)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	40,995	5,759,406
19.2	End of period (Line 18 plus Line 19.1)	2,898,003	40,995

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	131,264								131,264				
2. First Quarter	130,107								130,107				
3. Second Quarter	130,530								130,530				
4. Third Quarter	117,381								117,381				
5. Current Year													
6. Current Year Member Months	1,148,360								1,148,360				
Total Member Ambulatory Encounters for Period:													
7. Physician	817,772								817,772				
8. Non-Physician	455,384								455,384				
9. Total	1,273,156								1,273,156				
10. Hospital Patient Days Incurred	48,392								48,392				
11. Number of Inpatient Admissions	12,374								12,374				
12. Health Premiums Written													
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned													
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services	(439,804)								(439,804)				
18. Amount Incurred for Provision of Health Care Services	(1,439,804)								(1,439,804)				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
Individually Listed Claims Unpaid					24	24
0199999 Individually Listed Claims Unpaid					24	24
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered						
0499999 Subtotals					24	24
0599999 Unreported claims and other claim reserves						(24)
0699999 Total Amounts Withheld						
0799999 Total Claims Unpaid						
0899999 Accrued Medical Incentive Pool And Bonus Amounts						

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5	6
		1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical)						
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid	(439,804)				(439,804)	1,000,000
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	(439,804)				(439,804)	1,000,000
10.	Healthcare receivables (a)						
11.	Other non-health						
12.	Medical incentive pools and bonus amounts						
13.	TOTALS	(439,804)				(439,804)	1,000,000

(a) Excludes \$. loans or advances to providers not yet expensed.

Notes to Financial Statement

No significant changes or events have occurred since the most recent annual statement was filed.

17C. Wash Sales
Not applicable

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes that would require disclosure in the Notes to the Financial Statements?

Yes[] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2000
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2000
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/12/2002
- 7.4 By what department or departments?
Tennessee Department of Commerce & Insurance - TennCare Division
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$27,492

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 11.2 If yes, explain:
- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 12.2 If yes, give full and complete information relating thereto:
13. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$
14. Amount of real estate and mortgages held in short-term investments:

\$
- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 15.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Statement Value
15.21	Bonds		
15.22	Preferred Stock		
15.23	Common Stock		
15.24	Short-Term Investments		
15.25	Mortgages Loans on Real Estate		
15.26	All Other		
15.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26)		
15.28	Total Investment in Parent included in Lines 15.21 to 15.26 above		

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[X]
Yes[] No[X] N/A[]

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[X] No[]

1	2
Name of Custodian(s)	Custodian Address
The Northern Trust Company	50 LaSalle Street, Chicago, IL 60675
First Tennessee Bank	Box 84 Safekeeping M-Level, Memphis, TN 38101

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

17.4 If yes, give full and complete information relating thereto:

Yes[] No[X]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
108718	Martin and Company	Two Centre Square, St 200
.....	.....	625 S. Gay St, Knoxville, TN 37902-1669

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

18.2 If no, list exceptions:

Yes[X] No[]

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

Mortgage Loans		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION

Other Invested Assets Included in Schedule BA		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

Bonds and Stocks		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	58,499,929	47,651,742
2.	Cost of bonds and stocks acquired	9,741,881	30,169,646
3.	Accrual of discount	34,467	
4.	Increase (decrease) by adjustment		(460,874)
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal	44,602	153,673
7.	Consideration for bonds and stocks disposed of	13,019,929	19,014,257
8.	Amortization of premium	363,406	
9.	Book/adjusted carrying value, current period	54,937,544	58,499,929
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	54,937,544	58,499,929
12.	Total nonadmitted amounts		
13.	Statement value	54,937,544	58,499,929

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	52,228,508	3,554,777	1,922,083	(165,692)	52,464,129	52,228,508	53,695,510	52,942,332
2. Class 2	4,448,517		750,000	(18,712)	3,972,063	4,448,517	3,679,805	5,557,597
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds	56,677,024	3,554,777	2,672,083	(184,404)	56,436,192	56,677,024	57,375,314	58,499,929
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock	56,677,024	3,554,777	2,672,083	(184,404)	56,436,192	56,677,024	57,375,314	58,499,929

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. TOTALS	2,437,770	X X X	2,643,395	11,025	

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Cost of short-term investments acquired	7,253,760	
3.	Increase (decrease) by adjustment	15,320	
4.	Increase (decrease) by foreign exchange adjustment		
5.	Total profit (loss) on disposal of short-term investments	(3,259)	
6.	Consideration received on disposal of short-term investments	4,828,051	
7.	Book/adjusted carrying value, current period	2,437,770	
8.	Total valuation allowance		
9.	Subtotals (Lines 7 plus 8)	2,437,770	
10.	Total nonadmitted amounts		
11.	Statement value (Lines 9 minus 10)	2,437,770	
12.	Income collected during period	1,327	
13.	Income earned during period	45,017	

15 Schedule DB Part F Section 1 NONE

16 Schedule DB Part F Section 2 NONE

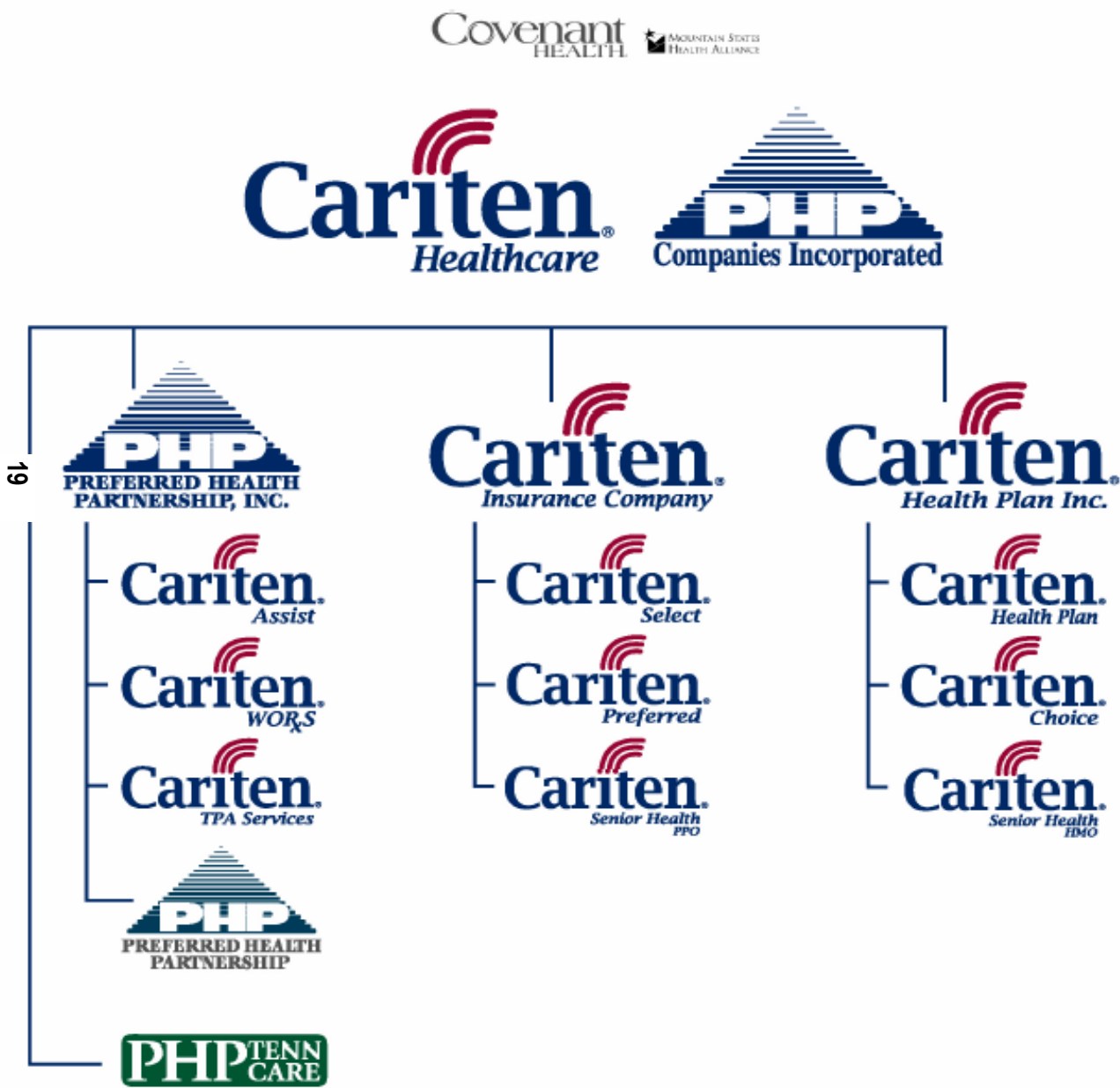
17 Schedule S Ceded Reinsurance NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
State, Etc.									
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	No						
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	Yes						
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Canada (CN)	No	No						
57.	Aggregate other alien (OT)	X X X	X X X						
58.	Subtotal	X X X	X X X						
59.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
60.	Total (Direct Business)	X X X	(a)..... 1						
DETAILS OF WRITE-INS									
5701		X X X	X X X						
5702		X X X	X X X						
5703		X X X	X X X						
5798.	Summary of remaining write-ins for Line 57 from overflow page	X X X	X X X						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104.
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)

E01 Schedule A Part 2 NONE

E01 Schedule A Part 3 NONE

E02 Schedule B Part 1 NONE

E02 Schedule B Part 2 NONE

E03 Schedule BA Part 1 NONE

E03 Schedule BA Part 2 NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
912828DM9	US TREAS NT .....	.....	.... 07/19/2005	NORTHERN TRUST .....	.... X X X .....	..... 1,228,906 .....	..... 1,250,000.00 .....	..... 21,409	1FE
912828DM9	US TREAS NT .....	.....	.... 08/08/2005	NORTHERN TRUST .....	.... X X X .....	..... 484,258 .....	..... 500,000.00 .....	..... 9,724	1FE
3128X2TM7	FHLMC TRANCHE .....	.....	.... 09/26/2005	NORTHERN TRUST .....	.... X X X .....	..... 991,710 .....	..... 1,000,000.00 .....	..... 7,917	1FE
665278107	NOTHERN TRUST MM .....	.....	.... 09/30/2005	NORTHERN TRUST .....	.... X X X .....	..... 296,961 .....	..... 296,961.00 .....	..... 1	1
0399999 Subtotal - Bonds - U.S. Governments .....					.... X X X .....	..... 3,001,835 .....	..... 3,046,961.00 .....	..... 39,049 .....	.... X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
76113BAC3	PVTPL RESIDENTIAL CAP .....	.....	.... 07/13/2005	NORTHERN TRUST .....	.... X X X .....	..... 552,943 .....	..... 550,000.00 .....	..... 2,338	1FE
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated) .....					.... X X X .....	..... 552,943 .....	..... 550,000.00 .....	..... 2,338 .....	.... X X X
6099997 Subtotal - Bonds - Part 3 .....					.... X X X .....	..... 3,554,777 .....	..... 3,596,961.00 .....	..... 41,387 .....	.... X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					.... X X X .....	.... X X X .....	.... X X X .....	.... X X X .....	.... X X X
6099999 Subtotal - Bonds .....					.... X X X .....	..... 3,554,777 .....	..... 3,596,961.00 .....	..... 41,387 .....	.... X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					.... X X X .....	.... X X X .....	.... X X X .....	.... X X X .....	.... X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter .....					.... X X X .....	.... X X X .....	.... X X X .....	.... X X X .....	.... X X X
7399999 Subtotal - Preferred and Common Stocks .....					.... X X X .....	.... X X X .....	.... X X X .....	..... 41,387 .....	.... X X X
7499999 Total - Bonds, Preferred and Common Stocks .....					.... X X X .....	..... 3,554,777 .....	..... X X X .....	..... 41,387 .....	.... X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of
by the Company During the Current Quarter

1	2	3 F o r e i g n	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description		Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
31359MFV0	FNMA PREASSIGN		07/15/2005	NORTHERN TRUST	X X X	1,050,000	1,050,000.00	1,138,963	1,062,707		(12,709)		(12,709)		1,050,000		0	0		07/15/2005	1FE
912828BU3	US TREAS		07/19/2005	NORTHERN TRUST	X X X	496,426	500,000.00	495,625	495,990		2,187		2,187		498,177		(1,751)	(1,751)		12/31/2005	1FE
912828BU3	US TREAS		08/08/2005	NORTHERN TRUST	X X X	372,349	375,000.00	371,719	371,992		1,914		1,914		373,906		(1,558)	(1,558)		12/31/2005	1FE
0399999 Subtotal - Bonds - U.S. Governments					X X X	1,918,774	1,925,000.00	2,006,307	1,930,689		(8,607)		(8,607)		1,922,083		(3,309)	(3,309)		X X X	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
211177AJ9	CONTL CABLEVISION INC		09/15/2005	NORTHERN TRUST	X X X	750,000	750,000.00	819,503	782,707		(32,707)		(32,707)		750,000					09/15/2005	2FE
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	750,000	750,000.00	819,503	782,707		(32,707)		(32,707)		750,000					X X X	X X X
6099997 Subtotal - Bonds - Part 4					X X X	2,668,774	2,675,000.00	2,825,809	2,713,396		(41,314)		(41,314)		2,672,084		(3,309)	(3,309)		X X X	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	2,668,774	2,675,000.00	2,825,809	2,713,396		(41,314)		(41,314)		2,672,084		(3,309)	(3,309)		X X X	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7399999 Subtotal - Preferred and Common Stocks					X X X		X X X												X X X	X X X	
7499999 Total - Bonds, Preferred and Common Stocks					X X X	2,668,774	X X X	2,825,809	2,713,396		(41,314)		(41,314)		2,672,084		(3,309)	(3,309)		X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E06 Schedule DB Part A Section 1 NONE

E06 Schedule DB Part B Section 1 NONE

E07 Schedule DB Part C Section 1 NONE

E07 Schedule DB Part D Section 1 NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month			9
							During Current Quarter			
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
Cash on Deposit	First Tennessee Bank .....	.....	.....	3.250	8,655	.....	420,294	379,116	460,233	X X X
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X ..						X X X
0199999 Totals - Open Depositories			X X X	X X X ..	8,655	.....	420,294	379,116	460,233	X X X
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	X X X ..						X X X
0299999 Totals - Suspended Depositories			X X X	X X X ..						X X X
0399999 Total Cash On Deposit			X X X	X X X ..	8,655		420,294	379,116	460,233	X X X
0499999 Cash in Company's Office			X X X	X X X ..	X X X .	X X X .				X X X
0599999 Total Cash			X X X	X X X ..	8,655	.....	420,294	379,116	460,233	X X X

E09 Schedule E Part 2 Cash Equivalents NONE

ACT Actuarial Statement NONE

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group		NONE				
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Subtotal - Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Subtotal - Claim Overpayment Receivables - Not Individually Listed						
0299999 Subtotal - Claim Overpayment Receivables						
0399998 Subtotal - Loans and Advances to Providers - Not Individually Listed						
0399999 Subtotal - Loans and Advances to Providers		NONE				
0499998 Subtotal - Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
0599998 Subtotal - Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Subtotal - Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Preferred Health Partnership Companies, Inc - Corp Rec	0			36,464	36,464	0	
Preferred Health Partnership Inc. - I/C FIT Rec							
Cariten Insurance Company		0					0
Cariten Health Plan, Inc.			27,492				27,492
Covenant Health							
0199999 - Total Individually Listed Receivables	0	0	27,492	36,464	36,464	0	27,492
0299999 - Receivables not individually listed							
0399999 - Total gross amounts receivable	0	0	27,492	36,464	36,464	0	27,492

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